

STATE INFORMATION TECHNOLOGY PROJECTS BACKGROUND

In the past, information technology (IT) projects appear to have been pushed by independent sponsors within each department or agency and funded based on a sponsor's professed need and available dollars. There was limited understanding of project composition or the process and problems. After a few high-profile and costly projects failed, there were attempts to improve the delivery and management of IT projects but the majority of those changes were incremental and no major overall improvement was achieved.

In 2002, the statute authorizing the Department of Information Technology expired and the responsibilities fell to the Departments of Finance and General Services.

In 2005, the Governor's Reorganization Plan consolidated the states two largest data centers and the telecommunication network at the Department of General Services into a new Department of Technology Services and created a Technology Service Board.

In 2006, the Legislature enacted legislation to establish the office of the State Chief Information Officer and make it a cabinet-level position.

In 2007, the Governor established the Office of the State Chief Information Officer (OCIO) to consolidate the information technology duties previously handled by the Teale Data Center or DTS and various state agencies under one entity and appointed Theresa "Teri" Takai to the position of Chief Information Officer (CIO) of the entire state IT program.

In 2008, a new long-term project approval process was implemented under the OCIO to assure a comprehensive evaluation of the value of a proposed project to statewide goals and alignment with statewide technology standards (discussed in detail in the next section) is assessed, not just a department's stated need and available budget.

In 2009, the Governor submitted a reorganization plan to consolidate statewide IT functions under the Office of the State Chief Information Officer.

Prior to the Legislature's acceptance of the Governor's IT Reorganization Plan (GRP), the Legislative Analyst commented in a March 9, 2009 letter on the plan to consolidate more IT functions under the OCIO as: "ha [ving] merit and offers potential statewide cost avoidance - more so in the long term, when IT policies have been firmly established and state entities are working from a more standardized IT framework. However, we are concerned that this GRP lacks detail regarding implementation and has not completely addressed potential challenges to the existing OCIO staff and newly transferred offices. The legislature may want to consider other means of achieving some of the same goals stated in this GRP."

In its March 26, 2009 recommendation to the Legislature, the Little Hoover Commission concluded, "IT often is cited as a driver of government efficiency, but it goes beyond processing licenses online or automating an outdated system. The GRP helps reframe the state's approach to

governance by moving away from a collection of agencies with unique, mutually exclusively needs and toward a practice of operating the state as a single enterprise."

The plan went into effect on May 11, 2009 and under the CIO's direction, California's entire IT structure was reorganized with the goal of making project approvals and expenditures more responsive to statewide goals and less dependent on budget-based decisions alone. This effort provides a template under which all projects are scrutinized and evaluated by the OCIO for the technology and business side and they are submitted to the Department of Finance (DOF) to consider funding concerns. The OCIO also has authority to deny projects.

California currently has approximately 111 major IT projects (over \$200,000) in process at a current estimated cost of approximately \$7.4 billion over the next five years according to the List of Approved State Projects prepared by the OCIO (Tab 4). As shown below, thirteen of those projects accounted for nearly \$6.4 billion (see below) earlier this year.

These major projects all must report regularly to the CIO and the OCIO's web site presents a tracking list for approved IT projects under construction. By following the information further, one is able to review the actual project documents for every project on the tracking list.

CALIFORNIA'S HIGHEST COST IT PROJECTS

(costs spread over five years)

DEPARTMENT	PROJECT NAME	TOTAL PROJECT COST (in \$ millions)
Dept. of Finance	Financial Information System (FI\$CAL)	\$1,620,052,518
Child Support Services	Automated Child Support (CCSAS-CSE)	\$1,552,411,070 *
Health & Human Services	LEADER Replacement	\$ 498,432,232
Corrections & Rehab.	Strategic Offender Management System	\$ 416,278,518
Franchise Tax Board	Enterprise Data to revenue Project (EDR)	\$ 317,058,812
Health & Human Services	IHSS/ Case Management Info/Payroll System	\$ 298,810,625
Health & Human Services	ISAWS Migration	\$ 263,549,843
Health & Human Services	CWS/CMS New System	\$ 254,611,503
Dept. of Motor Vehicles	IT Modernization	\$ 208,103,286
Health & Human Services	Automated Child Support (CCSAS-SDU)	\$ 204,126,584 *
Corrections & Rehabilitation	Consolidated IT Infrastructure Program (CITIP)	\$ 191,036,710
State Controller	Human Resources Management System (HR-MOD)	\$ 178,671,658
Corrections & Rehab.	Business Information System (BIS)	\$ 175,724,553
Employment Development	Unemployment Insurance Modernization (UI MOD)	\$ 125,993,758
TOTAL		\$6,304,861,670

Information from last update of OCIO Tracking List, dated July 15, 2009

* Projects implemented but remains on list until completion of one-year Project Implementation and Evaluation Review (Pier) is complete.

Administrative Office of the Courts (AOC) is exempt from OCIO oversight although the total cost for the Court Case Management System (CCMS) unknown, although it is currently estimated at \$1.3 billion.

Additional Detail in Tab 3.

The projects on the tracking list are rated for criticality based on criteria adopted in the portion of the State Administrative Manual (SAM), which contains statewide IT policy. The Statewide Information Management Manual (SIMM) contains the instructions and guidelines needed to implement IT policy and generally consists of templates, forms and directions for proceeding with project approval submittals and reporting requirements. All policies, instructions, and guidelines regarding IT operations, security project approval and oversight are contained in these two resources.

SAM Section 4800 contains general IT policy and Section 6700 contains fiscal IT policy. The relevant sections of SAM are contained in Tab 12.

A glossary of IT terms and acronyms is included in Tab 13.

NEW IT PROJECT APPROVAL PROCESSES IMPLEMENTED UNDER OCIO

In October 2008, eighty-five state agencies and departments submitted Information Technology Capital Plans (ITCP's) to the OCIO with copies provided to Finance. These ITCPs establish the foundation for ensuring that IT investments support state priorities, business direction, and align with statewide technology standards. The ITCPs also provide a statewide view of IT Project Proposals; facilitating the selection of IT initiatives suitable for further study, forming the basis for the first Statewide ITCP. The Statewide ITCP represents the Executive Branch's plan for IT investments over the next five years in support of the 2009 IT Strategic Plan. The Statewide ITCP was developed from two distinct elements:

- Agency ITCPs – Prioritize their constituent-departments' proposed IT investments. The Agency ITCPs also identify efforts to coordinate Strategic Planning, Enterprise Architecture, Portfolio Management, Project Management, IT Governance, Workforce Development, and Workforce and Succession Planning among their constituent-departments.
- Department ITCPs – Prioritize departments' proposed IT investments, aligning their business goals and objectives, IT infrastructure replacement plans, and summary information concerning their existing IT projects approved by the OCIO. The departmental ITCPs also include supplemental information concerning Enterprise Architecture; Information Security; Workforce Development, Workforce and Succession Planning; and Portfolio Management, Project Management, and IT Governance.

In this first ITCP cycle, the agency and departmental ITCPs provide a view of all projects proposed over the next five years, along with summary information concerning upgrade and/or replacement of hardware, software, and network infrastructure. In future years, the departmental ITCPs will be expanded to include additional information about IT infrastructure investments.

New IT projects approved by the OCIO from July 2008 through January 2009 are also included in the Statewide ITCP. These new IT projects are supported by Feasibility Study Reports (FSR) and the Governor's Budget.

The OCIO now conducts a yearly review of all IT projects submitted for approval by Departments and performs a management review process. This management review replaces the past method of examining by dollars available or a budget-driven evaluation and results in a substantial number of projects being dropped in advance of the Legislature's budget discussions.

As a result of this process, 202 IT projects were proposed in the first review of all IT projects proposed by state agencies for the next five years. Of those, 111 constitute the current major projects on the list of "Projects under Development", tracked on the OCIO's web site and 91 were denied, (see Tabs 4 and 5).

The Legislature examines IT projects each year as they progress through the budget committees but there may be a way to improve how these projects are evaluated by coordinating the evaluation techniques. In this manner, anyone new to the process will benefit from past input and have the ability to compare and contrast reports or responses during any given IT project's life. To this end, the Committee is attempting to develop a set of critical questions to use in assessing IT projects for the new or ongoing approval.

TRACKING AND MEASURING IT CONSOLIDATION

What are the expected outcomes?

According to the OCIO, consolidation will result in an enterprise approach to technology that will enable:

- Expanded access to government services and information.
- Enhanced accountability and performance.
- Improved public safety and disaster recovery capabilities.
- Consistent information security and privacy practices.

How will success be measured?

The Office of the State Chief Information Officer will use quantitative and qualitative metrics, such as:

- Number of new online services.
- Service use and satisfaction.
- System up-time.
- Cost savings/avoidance.
- Project success rates.
- Policy compliance.
- Number of security breaches.

How will progress be reported?

Through the IT Strategic Plan, which according to statute, must be published each year on January 15th and delivered to the Joint Legislative Budget Committee.

Source: Commission Little Hoover Commission Report: "A Review of the Governor's Reorganization Plan to Consolidate Information Technology Functions"
Teresa "Teri" Takai, Chief Information Officer, State of California. Sacramento, CA. February 20, 2009.
Written testimony to the Little Hoover

Tab 6 contains a list of the 45 projects on the OCIO's "Watch List" that are behind schedule.
Tab 7 contains a list of active projects that are within cost and schedule.

ANTICIPATED SAVINGS

Cost Savings and Avoidance

The Governor's Reorganization Plan of 2009 estimates approximately \$1.7 billion in savings and avoidance by authorizing the Office of the State Chief Information Officer to consolidate IT resources, reduce spending and better manage IT growth. The estimated savings by year are:

Fiscal Year Estimated Savings

2009-10 \$180 million

2010-11 \$250 million

2011-12 \$370 million

2012-13 \$420 million

2013-14 \$445 million

Source: Little Hoover Commission Report: "A Review of the Governor's Reorganization Plan to Consolidate Information Technology Functions
Adrian Farley, Chief Deputy Director, Office of the State Chief Information Officer. Sacramento, CA.
February 27, 2009. Personal communication.

INFORMATION ON SPECIFIC SAVINGS

There are two functions commonly associated with monitoring and oversight of IT project development and implementation that have recently been commented on by the Bureau of State Audits (BSA). According to the Auditor, those comments but do not rise to the level of an audit or findings from an audit—they are merely comments. These relate to independent project oversight (IPO) and independent verification and validation (IV&V) which are used to assess a project's progress and success in meeting project goals.

The OCIO reports savings of \$7,490,740 due to transferring the IPO function from outside contractors to state staff with the OCIO. The OCIO anticipates this amount will increase over the balance of this fiscal year and in future fiscal years but intends to continue contracting externally for IV&V reports.

The BSA recently noted concerns about this transfer, noting that it "might, either in fact or appearance, create a conflict that undermines the very purpose of the IPO, which is to provide an independent, unbiased perspective."

The unit that approves of a project within OCIO is completely separate with different staff from those who will perform the IPO functions for projects submitted by departmental clients.

This issue, while seemingly small, appears to strike at basic conflict in the management of IT projects.

Many of those familiar with past failed projects believe the path to success is paved with having knowledgeable staff within the state rather than relying on outside contractors for more of the work. Others involved in the evaluation or observation of state projects believe there should be total separation between project implementation and those evaluating the success of the project.

Q: If a department, sponsors a major project and that project goes through the preparation of an Information Technology Capital Plan and the OCIO and DOF review, plus scrutiny is provided by the Legislature via the budget committees and subcommittees, is there any risk associated with having the IPO function conducted by the OCIO separate from the project sponsor?

LESSONS LEARNED

California's Child Support System

In 1988, Congress required states to implement an automated child-support enforcement system by October 1, 1995, or risk financial penalties. California failed to do so and the fines of approximately \$200 million a year were imposed.

In 1998, the California State Auditor found many elements contributed to the system's failure. Some of these included unrealistic timelines and requirements imposed by the federal government, a failed design by computer contractors and management problems at the State Department of Social Services. The project also suffered from fragmented leadership – the state's child support "system" at the time was comprised of 58 separate systems, each run by the county's district attorney lacking statewide coordination.

On July 1, 2000, California enacted legislation to establish a new California Department of Child Support Services (DCSS) and to transfer local programs from district attorneys to county departments of child support services. The DCSS became responsible for project oversight, including developing and maintaining the operation of the automation project in all counties.

The Franchise Tax Board (FTB) was chosen to take over project management because of its success with other large technology projects. Over a period of eight years, from 1998 to 2006, the state worked with local child support agencies and the private sector to merge all 58 systems into one single, standardized automated system to manage the state's 1.6 million child support cases.

The State is now in compliance with federal mandates that required the implementation of a single statewide automated child support system and a single location for processing all child support collections and disbursements. As part of the federal requirement, the state uses reliable data to measure the efficiency and effectiveness of its child support collection efforts, with common metrics for all states, such as paternity establishment rates and percentages of support collected versus what is owed.

The FTB developed a methodology that tied vendor bonuses to the project's success. This approach created room for ongoing discussion and evaluation of ideas with the vendors, which focused decisions and established a shared knowledge base with shared goals. This information was shared with the state chief information officer and agency staff to communicate regularly with state leaders on the project's status.

The certification ended annual penalties paid by the state for non-compliance with federal regulations. A federal child support commissioner said the success was particularly remarkable because "California's child support program is the nation's largest child support program and arguably one of the most complex."

Although the project was a major problem over many years, its successful implementation also deserves attention. In consulting Gerald Goldberg former Executive Director of the FTB for this

hearing, he indicated that the selection of the project management team within FTB was focused on obtaining people with specific experience. Those selected had to have past direct project experience on successful projects very similar in nature to the child support effort. He also noted that another requirement was that each person also have worked on at least one unsuccessful project.

The certification ended annual penalties paid by the state for non-compliance with federal regulations. A federal child support commissioner said the success was particularly remarkable because "California's child support program is the nation's largest child support program and arguably one of the most complex."

Although the project was a major problem over many years, its successful implementation also deserves attention. In consulting Gerald Goldberg former Executive Director of the FTB for this hearing, he indicated that the selection of the project management team within FTB was focused on obtaining people with specific experience. Those selected had to have past direct project experience on successful projects very similar in nature to the child support effort. He also noted that it was considered useful if each person had also worked on at least one unsuccessful project.

When questioned why this would be useful, he responded, "There is nothing so humbling as the feeling of failure, and nothing so useful as understanding why it occurs and learning from it."